Managers' Internal Control Program Conference

Defense Logistics Agency

Methods that Work for Resolving Weaknesses on time

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Discussion Points

- DLA Enterprise
- Keys to our Success
- Take Aways

The DLA Enterprise

The DLA Enterprise

FY01 Sales/Services: $17B
FY02 Sales/Services: $21.5B
FY03 Sales/Services: $25B
FY04 Sales/Services: $28B
FY05 Sales/Services: $31.8B
FY06 Projection: $34.3B

- **Energy:**
- **Distribution: $2.5B**
- **Other: $1.0B**
- **~95% of Services' repair parts**

Foreign Military Sales

- **Sales: $1.18B**
- **Shipments: 501K**
- **Supporting 124 Nations**

Scope of Business

- **54,000 Requisitions/Day**
- **8,200 Contracts/Day**
- **#50 Fortune 500 – Above Intel**
- **#2 in Top 50 Distribution Warehous**
- **26 Distribution Depots**
- **5.2 Million Items – eight supply chai**
- **24.7M Annual Receipts and Issues**
- **1411 Weapon Systems Supported**
- **132.8M Barrels Fuel Sold**
- **$14.6B Annual Reutilizations/Dispos**

People

- **21,017 Civilians**
- **509 Active Duty Military**
- **668 Reserve Military**
- **Located in 48 States/28 Countries**

My Top Five Priorities

- **Mission**
  - *Support to the War Fighter*
  - *Distribution Process Owner*
- **Transformation**
  - *Enhanced Capabilities for the Future War Fighter*
- **People**
  - *Transforming Our Human Capital and the Workplace*
- **Alignment**
  - *To War Fighters…To Supply Chains*
- **One Enterprise**
  - *Seamless Partnering for War Fighter Logistics Support*

Keys to our Success

Positive Results

FY 2005 Mid Year: DLA Recognized By OSD For Resolving All 12 Planned Milestones Towards Correcting Weaknesses On Or Ahead Of Schedule

FY 2005 Annual Statement Of Assurance: DLA Scored #1 On OSD's Statement Of Assurance Scorecard (Highest Score For Resolving Weaknesses)

Resolving Weaknesses Common Across DoD

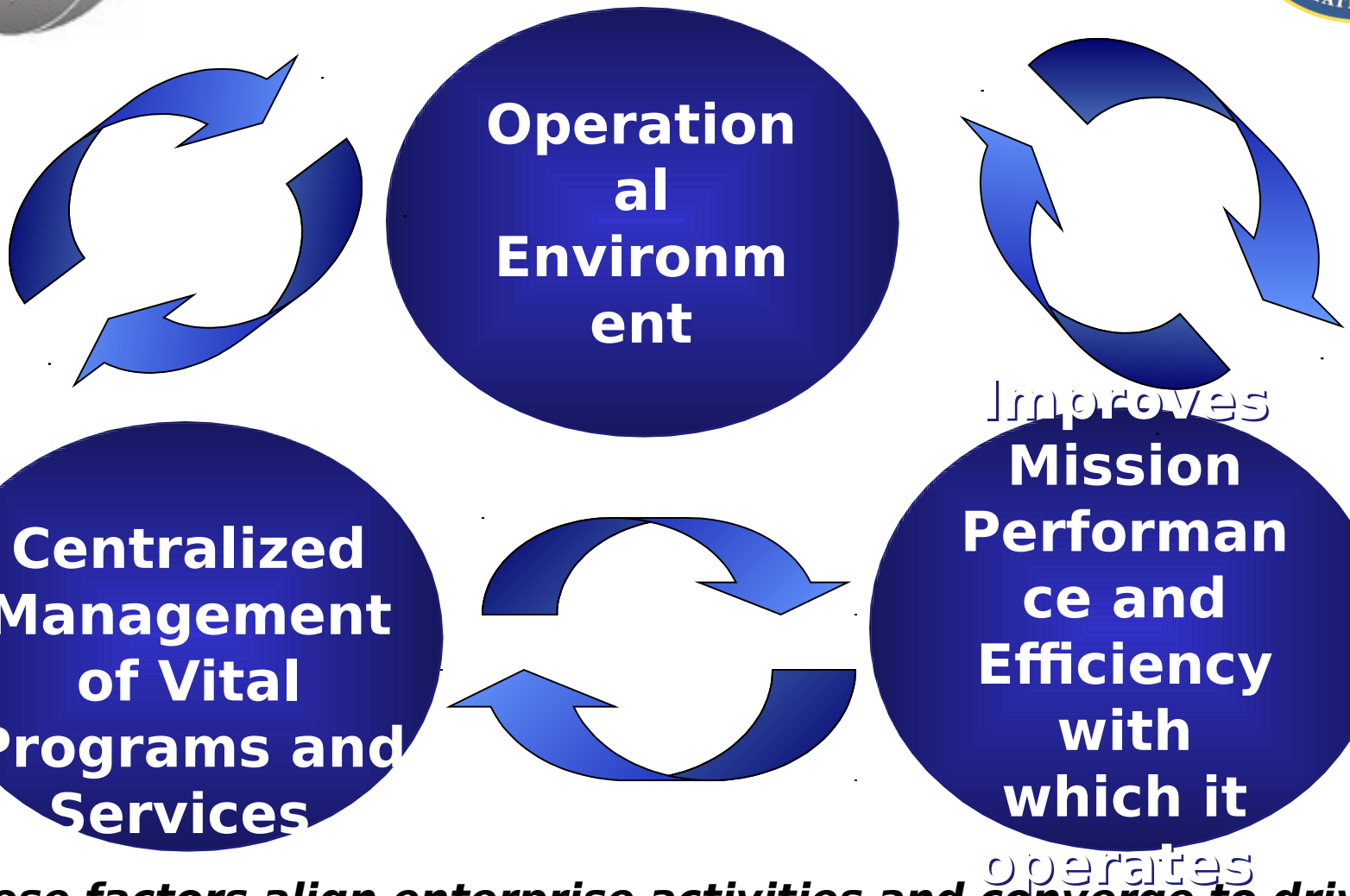
Inaccurate Reporting Of Property, Plant and Equipment

Pricing Of First-Time Buys

Keys To Our Success

- ***One Enterprise:*** Drives Internal Control Program Execution
- ***Visibility and Accountability:*** At All Levels Of Management
- ***Hold Executives Accountable:*** To Identify and Resolve Material Weaknesses
- ***Metrics Driven Enterprise:*** What Gets Measured Gets Done
- ***Goals and Milestones:*** Realistic Resolutions to

One Enterprise


Operational Environment
Improves
Mission Performance and Efficiency with which it operates
Centralized Management of Vital Programs and Services

These factors align enterprise activities and converge to drive desired results in critical programs such as Managers' Internal Controls

One Enterprise

President's Management Agenda

- Performance and Budget Integration
- Financial Improvement
- E-Government
- Competitive Sourcing
- Human Capital Mgmt

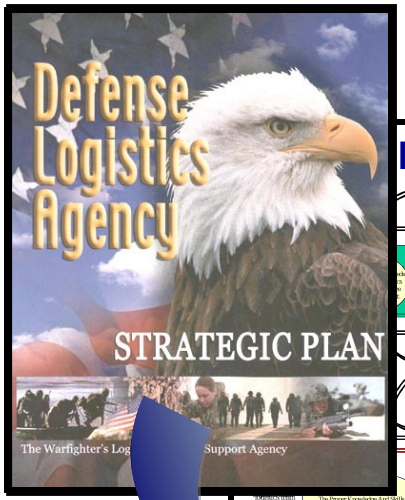
DoD Risk Scorecard

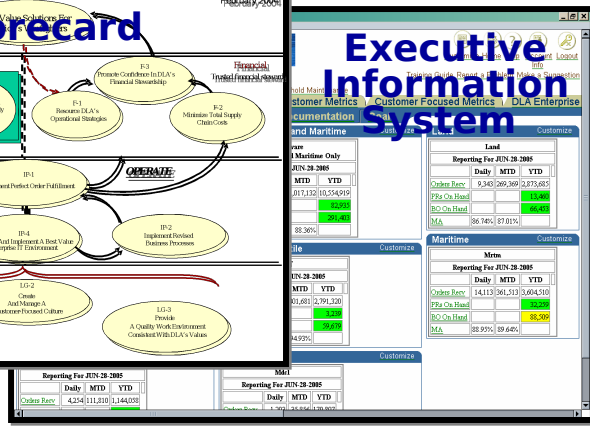
- Force Management Risk
- Operational Management Ri
- Institutional Risk
- Future Challenges

GAO's High- Risks On DLA's Internal Control Plans

- DoD Approach To Business Transfor
- DoD Personnel Security Clearances
- DoD Supply Chain Management
- DoD Contract Management
- DoD Financial Management
- DoD Business Systems Modernizatic
- DoD Strategic Human Capital Mana

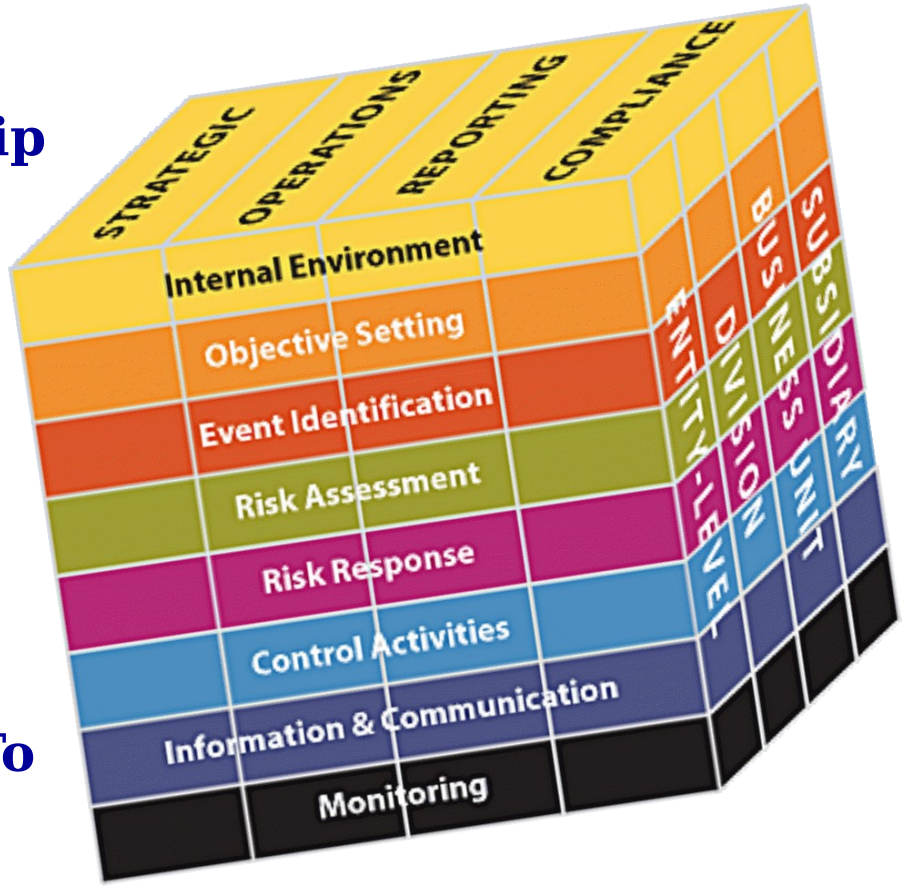
- Aligned
- Structure d Disciplin





Driving The One Enterprise

- **Common Goals, Strategies And Objectives From DLA Leadership**
- **Common Processes, Practices, Business Rules, And Standards**
- **Common Information Management Metrics, Reports, Procedures**
- **Strategic Plans, Balanced Scorecard, Business Plan Put To Work**



☑**Key Point: Hold executives accountable for resulting performance**

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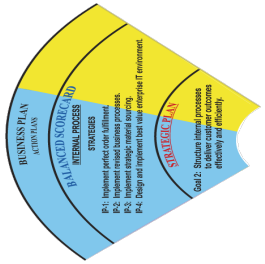
Visibility and Accountability

- Strategic Plan and Balanced Scorecard Integration
- Quarterly Enterprise Support Reviews
- Monthly Director's Top Ten
- Monthly Corporate Board Reviews
- Executive Information System
- eWorkplace

☑ Key Point: Hold executives accountable for resulting performance

Visibility and Accountability

Internal Control Metrics



DLA Goal 2

(Internal Processes)

Enterprise Status	● *
Definition	**Tracking for uncorrected weaknesses reported to ensure adherence to correction schedule**
Collection Frequency	**Quarterly**
Supporting DES Strategic Objective	**N/A**

● On Target
● Milestone Slippage
● Missed Milestone

Reporting Organization and Title of Weakness	Status	# of corrective actions	# of corrective actions completed	Action Plan: Addressing areas for improvement
J8/DES: Inaccurate Reporting of Plant, Property and Equipment (PP&E)	● G	**1**	**1**	**•OSD Weakness Closed**

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Metrics Driven Enterprise

- **Enterprise Level Focus**
  - Director's Metric Principles
  - Metrics Have Goals And Control Limits
  - Executives All Looking At The Same Metrics

- **Enterprise Governance Board**
  - Individual And Collective Accountability
  - Track Metrics Where Execution Occurs-Drives Accountability

End Results: DLA Closed 7 Material Weaknesses During FY 2005

"What Gets Measured Gets Done"

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Set Realistic Goals and Timelines

Ownership

- Process owners identify key milestones for resolving Material Weaknesses.
- Improves tools for resolution over weaknesses via policies, processes, controls, and data quality.
- Focuses on internal control training to validate corrective actions and requirements.

Enterprise Networks

- Process Owners assert corrective action targets via enterprise oversight:
  - Plan Of Action Milestones (POAMs) and Metrics
  - Issue Resolution Teams (IRTs)
  - Auditability Working Group
  - DLA Audit Committee
- Internal Audit Reviews provide: reports on corrective actions, visibility, and optimizes closing out of weaknesses on-time.

Outcomes

- Resolves problems of broken controls by targeted correction dates stated within the Annual Statement of Assurance, and the closing out Material Weaknesses on-time.

Take Aways

Take Aways

- ***One Enterprise:*** Consolidated Multiple Efforts Now Under One Umbrella
- ***Metrics Driven Enterprise*:** Agency Initiatives Enforced Through Objective Metrics Better Identify, Manage And Correct Weaknesses Within Targeted Dates
- ***Visibility and Accountability*:** Aggressive Leadership Oversight At All Levels
- ***Set Realistic Goals and Timelines:*** The Right Steps, The Right People And Processes Realistically Resolve Material Weakness Milestones On Time